

## **Questions and Answers Concerning CY 2006 Voucher Renewal Funding Allocations and Use of Funds**

The following questions have been asked by public housing authorities (PHAs), concerning the CY 2006 voucher renewal allocation process and other Housing Choice Voucher Program financial issues. The answers are provided for the information of all PHAs. PHAs are also encouraged to be fully familiar with the provisions of PIH Notices 2006-03 and 2006-05 on these subjects.

**Question 1:** Why doesn't HUD's calculation of my PHA's CY 2006 renewal funding include sufficient amounts to assist 100% of my authorized units (baseline)?

**Answer:** The FY 2006 Appropriations Act stipulates that CY 2006 voucher renewal funding must be based on each PHA's CY 2005 voucher renewal eligibility as determined by HUD. The CY 2005 eligibility was required by the Appropriations Act for that year to be based on validated PHA leasing for the months of May to July 2004. Specified adjustments were permitted each year for new units, enhanced voucher costs and the first time renewal of HOPE VI vouchers and, in CY 2005, for units too recently awarded to have been leased during the May to July 2004 base period. Neither Appropriations Act provides for an adjustment to the validated May to July 2004 baseline for on-going units. Accordingly, if a PHA was not fully leased during that base period, additional funding may not be provided to support increased leasing in 2006.

**Question 2:** What amounts remain to be recaptured by HUD?

**Answer:** HUD has already recaptured available pre-CY 2005 program reserves that were not designated for specific purposes and not required to meet HAP expenses for baseline units through 3/31/2005 and not required to provide a one-week reserve to the PHA. That portion of the one-week reserve left for each PHA, where available, that is not required to support HAP expenses in excess of HAP Budget Authority for the period of April 1 through December 31, 2005, will be recaptured. Eligible HAP expenses will be limited to baseline units.

**Question 3:** Is my PHA entitled to a one-week reserve?

**Answer:** A one-week reserve provision was calculated for each PHA as part of the 2005 recapture process. The one-week reserve was retained for each PHA only to the extent that reserve funds were available as of December 31, 2004, to support it. Every PHA did not have funds to provide all or a portion of the one-week reserve. In those instances, HUD will not augment funds to provide a one-week reserve for each PHA and will not restore reserves to do so. If available, the one-week reserve may be used by a PHA to cover HAP expenses for baseline units that exceed HAP Budget Authority provided for the period of April 1 through December 31, 2005.

**Question 4:** For calendar years 2005 and 2006, if my PHA's HAP expenses for baseline units are less than the Budget Authority provided by HUD, what will happen to these excess funds?

**Answer:** These excess HAP funds must be reported in the Undesignated Fund Balance Account in the FASPHA system and may be used to support HAP expenses for baseline units in subsequent years. These funds may not be used for any other purpose. Until such time as the FASPHA system is revised to provide individual reporting for excess HAP funds and excess administrative fee funds, the PHA must maintain records identifying the individual amounts, which collectively comprise the Undesignated Funds Balance Account.

**Question 5:** Where do I report my Operating (Administrative Fee) Reserve balance?

**Answer:** Administrative Fee Reserves are now a part of the Undesignated Fund Balance Account and are still subject to all requirements applicable to Administrative Fee Reserves, including but not limited to 24 CFR 982.155. As noted above, until such time as the FASPHA system is revised to provide individual reporting for excess HAP funds and excess administrative fee funds, the PHA must maintain records identifying the individual amounts, which collectively comprise the Undesignated Funds Balance Account

**Question 6:** I am a PHA with a 3/31 fiscal year end (FYE), but I am under a municipal government with a 12/31 FYE. When is my audit due?

**Answer:** The PHA's audit is due nine months after the end of the PHA FY; in the case in this question, the audit is due 12/31 each year.

**Question 7:** In prior years, a PHA that agreed to administer voucher for tenant protection actions would receive a special fee of \$250 per occupied unit. Will that special fee continue to be provided for tenant protection actions?

**Answer:** A special fee will continue to be provided for tenant protection actions. Due to the limited funds available in CY 2006 for special and on-going administrative fees for tenant protection actions, the special fee will be paid at the rate of \$100 per occupied unit, until funding is depleted.

**Question 8:** How will HUD determine a PHA's eligibility for funding under Category 1 from the \$45 million set-aside?

**Answer:** Funding for Category 1 (temporarily low leasing during the May-June-July 2004 baseline period) will be calculated as follows: The validated unit months leased (UMLs), per VMS, for the May-June-July 2004 period will be annualized and compared to the UMLs for the PHA's fiscal year (FY) 2004, per the approved year-end settlement. If the FY UMLs were higher, the PHA will be

funded for the additional UMLs leased at the CY 2006 per unit funding amount. No funding will be provided for additional costs, but just for additional unit months leased.

**Question 9:** PIH Notice 2005-24 (Adjustment of Voucher HAP for Preservation Voucher Assistance) directs PHAs to make retroactive HAP VO assistance in one lump sum payment, if feasible. It further states that PHAs may only make such payments to the extent that the PHA has sufficient budget authority available under its ACC, including program reserves, to do so. PIH Notice 2006-03 states, "Starting January 1, 2005, excess Budget Authority disbursed to PHAs that is not utilized to pay HAP will become part of the undesignated Fund Balance Account in accordance with GAAP and may only be used to assist additional families up to the number of baseline units." Based on the foregoing, may the undesignated Fund Balance Account be used to cover the enhanced voucher costs identified in PIH Notice 2005-24?

**Answer:** No. The Undesignated Fund balances begin in calendar year (CY) 2005. Prior to CY 2005, each PHA had a program reserve account, which is being reduced to zero. Any expenses the budget authority and reserves cannot cover for periods through CY 2004 constitute a reserve deficit. PIH Notice 2006-03, Section 9a, states that program reserve deficits cannot be paid from the Undesignated Fund Balance Account.